

## Message Text

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21 15

ACTION OPIC-12

INFO OCT-01 NEA-10 ISO-00 AGR-20 L-03 H-03 AID-20 CIAE-00

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R 170245Z OCT 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 1214

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PASS OPIC

E.O. 11652: N/A

TAGS: EFIN, BG

SUBJECT: BANGLADESH FABRICS: COOLEY LOAN

REF: STATE 193887

SUMMARY - TELEGRAM GIVES STATUS REPORT ON COLLECTION EFFORT RE OUTSTANDING COOLEY LOAN; DISCERNs POSSIBILITY OF BDG ACKNOWLEDGEMENT OF PAKISTAN-PERIOD DEBT; BUT SINCE LOCAL FIRM LOSING MONEY EACH MONTH (LIKE PRACTICALLY ALL OTHER NATIONALIZED JUTE MILLS), SUGGESTS OPIC CONSIDER RE-SCHEDULING IN EXCHANGE FOR CLEAR ACKNOWLEDGEMENT OF DEBT. RUNDOWN ON OPERATION OF PLANT ALSO GIVEN: DESPITE BETTER THAN AVERAGE MANAGEMENT, FIRM FACES SERIOUS PROBLEMS.

1. NO RESPONSE YET RECEIVED TO EMBASSY LETTER JAN 29, 1973 TO BANGLADESH FABRICS (BDF) CONCERNING OUTSTANDING OBLIGATION RE COOLEY LOAN, PAYABLE AUGUST 1, 1972. FURTHER PREPAYMENT DUE AUGUST 1, 1973. SUGGEST OPIC NOTICE OF PAYMENT BE PREPARED AND SENT EMBASSY FOR TRANSMISSION TO BDF.

2. MATTER OF OUTSTANDING OBLIGATION HAS HOWEVER NOT BEEN DORMANT SINCE JANUARY. EMBASSY HAS REMINDED BDG OF PAYMENT DUE ON A NUMBER

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OF OCCASIONS, MOST RECENTLY IN AUGUST IN DISCUSSION WITH SECRETARY

MINISTRY OF FINANCE, WHEN THE PRECEDENT WAS POINTED OUT OF BDG AUTHORIZATION OF PAYMENT BY INTERCONTINENTAL HOTELS OF OUTSTANDING COOLEY LOAN OBLIGATION WHICH LIKE BDF'S DATED FROM PAKISTAN PERIOD AND INVOLVED A KARACHI-BASED ORGANIZATION.

3. ON RECEIPT REFTEL, EMBASSY CONTACTED SERAJUDDIN KHAN, GENERAL MANAGER, BANGLADESH FABRICS. HE REPORTED THAT POSSIBLY AS RESULT OF EMBASSY DEMARCHE IN AUGUST, MINISTRY OF FINANCE AND BANGLADESH JUTE MILLS BOTH HAD ASKED FOR BACKGROUND MATERIAL ON COOLEY LOAN TO BDF WHICH KHAN HAS SINCE SUPPLIED. HE IS, HOWEVER, IN NEED OF AUTHENTICATED FACSIMILE COPY OF BASIC LOAN AGREEMENT AND ALL AMENDMENTS. HAS WRITTEN BELTON BAGGING CO. BUT MAY NOT GET A QUICK RESPONSE. SUGGEST OPIC FORWARD FULL SET TO EMBASSY FOR OUR TRANSMITTAL TO AUTHORITIES CONCERNED. EMBASSY ITSELF HAS ONLY COPY OF AMENDEMENT, APRIL 1, 1968.

4. KHAN HAS SHOWN EMBASSY A LETTER OF SEPT 29, 1973, WHICH BANGLADESH JUTE MILLS CORP. (JMC) - GOVT. HOLDING CORP. FOR BDF - HAS WRITTEN NATIONALIZED INDUSTRIES DIVISION (NID), BDG. LETTER CONTAINS IMPLICIT ACKNOWLEDGEMENT BY JMC OF DEBT OWED BY BDG. HOWEVER, ALSO POINTS OUT THAT BDF SUSTAINING MONTHLY LOSS OF TAKAS 400,000 AND CREDIT OUTSTANDING IS TAKAS 2 MILLION IN EXCESS OF BDF DRAWING POWER BASED ON HYPOTHECATED STOCK. LETTER GOES ON TO RECOMMEND TO NID THAT RESCHEDULING BE SOUGHT OF COOLEY LOAN PAYMENTS. NID HAS NOT SENT EMBASSY FORMAL REQUEST TO THIS EFFECT AND MAY NOT DO SO IMMEDIATELY, UNTIL IT HAS DETERMINED WHETHER BDG SHOULD IN FACT ACKNOWLEDGE DEBT. BELIEVE REASONABLE CASE FOR RESCHEDULING CAN BE MADE. EMBASSY REQUESTS AUTHORIZATION FROM OPIC IT INDICATE TO NID THAT IF DEBT CAN BE ACKNOWLEDGED, OPIC WILLING TO CONSIDER REQUEST FOR RESCHEDULING.

5. IN A RUNDOWN GIVEN BY KHAN ON OPERATION BDF, HE EXPLAINED THAT LOSSES SUSTAINED EACH MONTH LARGELY ATTRIBUTABLE TO REQUIREMENT BDF AND OTHER NATIONALIZED MILLS ARE UNDER TO BUY RAW JUTE FROM GOVERNMENT JUTE TRADING ORGANIZATIONS, WHICH SUPPOSED TO PURCHASE EX-FARM AT GOVT.-FIXED PRICE OF TAKAS 50 PER MAUND AND SELL ACCORDINGLY. KHAN SAYS THAT IN OTHER PURCHASES MADE BY BDF DIRECTLY FROM PRIVATE-SECTOR TRADE, HE CAN GET MUCH LOWER PRICE. KHAN RESENTFUL AS WELL ABOUT NECESSITY HE IS UNDER CHECK CONTINUALLY WITH JMC AND LACK OF AUTONOMY OF JMC FROM NID, OTHER GOVT. INTERVENTION AND CONTROL.

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6. MILL OPERATION ALSO HARASSED BY EXTREMELY ERRATIC POWER SUPPLY, WITH POWER CUTS DAILY NUMBERING AT TIMES AS HIGH AS 17 AND LASTING FOR AS LONG AS 7 HOURS. HAS PROPOSED TO JMC THAT SINCE POWER CUTS SIMPLY INCREASE MONTHLY LOSS, MILL BE PERMITTED CLOSE DOWN. JMC HAS REFUSED.

7. OTHERWISE SUPPLIES - OF SPARES, ETC. - COMING IN FAIRLY WELL.

BDF HAS BEEN ABLE TO GET IMPORT LICENSES AND FOREIGN EXCHANGE ALLOCATIONS. ALSO BY DINT KHAN'S OWN EFFORTS, ONWARD TRANSPORT OF BAGGING PRODUCTS SUCCESSFULLY ORGANIZED, BY BARGE TO CHALNA PORT AND BY SHIP OVERSEAS. SALES CONTINUE EXCLUSIVELY TO BELBAGCO' PANAMANIAN SUBSIDIARY. BDF HAS NOT BEEN ABLE TO MAKE FULL-YEAR CONTRACT WITH SUBSIDIARY SINCE LATTER NOT OFFERING ADEQUATE PRICE; HAS CONTRACTED INSTEAD FOR SIX-MONTH PERIOD. SUBSIDIARY WILL NOT LIFT UNTIL JANUARY, A DELAY WHICH POSES STORAGE PROBLEM FOR BDF. KHAN PLANS TO REBUILD WAR-DAMAGED GODOWN ON MILL SITE.

8. MAJOR PROBLEMS INVOLVING LABOR FORCE OF 1,500 NOW FAIRLY WELL RESOLVED. SECRETARY OF OLD INDEPENDENT COMPANY UNION HAS BEATEN BACK ATTEMPTS BY RULING AWAMI LEAGUE LABOR ORGANIZATION TO TAKE OVER. MAJOR DISPUTES IN OTHER MILLS CONTINUE HOWEVER AND OCCASIONALLY HAVE REVERBERATIONS LABOR PEACE BDG.  
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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 OCT 1973  
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**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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